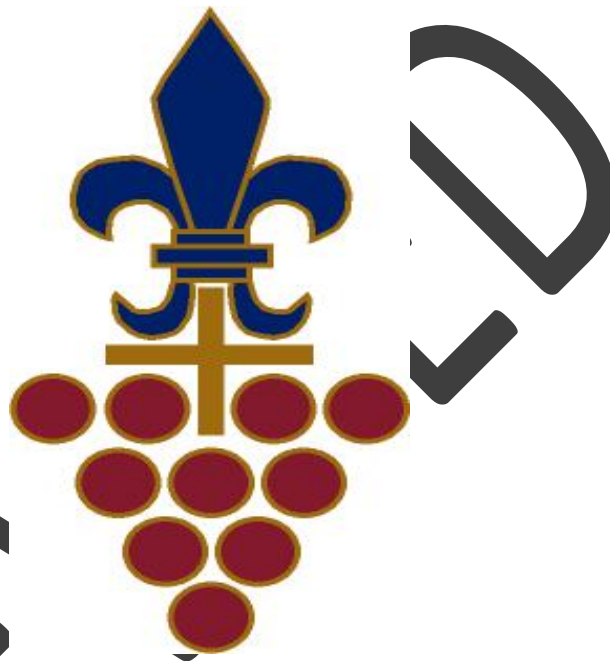


APPENDIX 11

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STELLENBOSCH MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

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STELLENBOSCH MUNICIPALITY

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PREAMBLE

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In terms of Section 96 of the Local Government: Municipal Systems Act, (Act 32 of 2000) a Municipality shall-

- (a) collect all money due and payable to it, subject to the provisions of said Act and any other applicable legislation and By-laws; and
- (b) for this purpose, implement and maintain a credit control and debt collection system which is not in conflict with its Rates and Tariffs policies and which complies with the provisions of said Act.
- (c) In order to give effect to the afore going provisions of said Act, the Council of the Stellenbosch Municipality has adopted a policy relating to credit control and debt collection as set out hereinafter.

1. PRINCIPLES

This Policy supports the following principles:

- (a) Human dignity must be upheld at all times.
- (b) This Policy must be implemented with equity, fairness and consistency.
- (c) Endeavours shall be focused such that data related to debtors and accounts are correct at all times.
- (d) The implementation of this Policy shall be based on sound business principles, which may include credit worthiness checks and assessments of the credit risks involved.
- (e) New services will only be provided if supported by the relevant service contract(s) and payment of a consumer deposit.
- (f) Interest on overdue accounts will be charged at rates approved by Council from time to time, and will be levied on accounts outstanding after the relevant due dates thereof. For the purposes of calculation, a portion of a month will be deemed to constitute a full month.
- (g) Deposits will be utilised to proactively mitigate the potential of unnecessary credit risk exposure to Council.
- (h) An administration fee and/or collection fee will be charged on overdue accounts, according to Council's approved tariffs and the By-laws of Stellenbosch Municipality (WC024). Such fees will not apply to the accounts of registered indigent consumers.
- (i) The rates components on overdue accounts may be processed in terms of Sections 28 & 29 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) (MPRA) and as described in the Rates Policy of Stellenbosch Municipality.

2. MUNICIPAL ACCOUNTS and ADDITIONAL MECHANISMS

2.1 Notices and Demands

The Owner's/Debtor's/Consumer's attention is drawn to the note on the municipal account, which states that the supply of services will be discontinued/restricted without further notice if the accounts are not settled in full. This serves as a warning to a defaulting owner/debtor/consumer that services will be discontinued/restricted upon defaulting on payments.

Notices, e-mails, cell phone text messages (SMS) or any available informative actions will however be issued to account holders as a first attempt (first notice) immediately after the due date as a means to recover debt and to remind consumers/debtors/owners of their obligation to pay for services.

The aim of such reminders is to get co-operation to settle accounts without the necessity to employ more drastic steps and to offer the opportunity to make arrangements to pay off such debt where the financial position of a consumer is such that relief is possible as per criteria in the Municipality's Rates or Indigent Policies.

Failure to respond to the first notice as alluded to above will result in the disconnection and/or restriction of services and a final demand being issued where applicable. Failure to respond to a final demand and in the event of arrears not being settled within the period stipulated in the

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final demand, or an arrangement not being concluded, legal action may be instituted (with the Municipality's rights reserved, notwithstanding the fact that services were disconnected/restricted or not) to recover the full outstanding debt. In this regard the municipality may consolidate any separate accounts of a debtor, credit a payment by a debtor against any account of that debtor and implement any of the measures provided for in this policy or the Credit Control and Debt Collection Bylaw in relation to any arrears of any of the accounts of such a debtor. In the case of housing rental contracts the Municipality may consider procedures for eviction or right sizing.

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2.2 Additional Mechanisms

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2.2.1 Electricity Services:

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In the event of an owner/debtor/consumer other than a registered Indigent consumer regulated by Stellenbosch Municipality's Indigent Policy, failing to pay for electrical services due and payable, and in the event of such consumer having been placed on the disconnection list 3 times within a twelve (12) month period prior to such event, then Stellenbosch Municipality will have the right to install pre-paid electricity meters in a bid to limit credit risk. As an alternative, the municipality may also consider upward adjustment of the relevant consumer deposit.

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2.2.2 Water Services:

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The Stellenbosch municipality may in the event of an owner/debtor/consumer exhibiting a trend of non-payment of accounts during a twelve (12) month period prior to a non-payment event (i.e. 3 times or more non-payment events) consider the installation of water demand management devices in a bid to limit credit risk. As an alternative, the municipality may also consider upward adjustment of the relevant consumer deposit.

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2.2.3 Rental Services and Loan instalments:

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Actions against defaulters are regulated to a degree by the contracts involved.

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All contracts must at minimum and where appropriate, include the following criteria/requirements:

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(i) Due date for payments.

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(ii) Applicable procedures upon the defaulting of payments.

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(iii) Handover procedures.

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(iv) Eviction or right sizing actions.

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3. ARRANGEMENTS

Should account holders/owners/debtors/consumers –wish to make arrangements to pay off accounts in arrears, the following guidelines shall apply:

(a) The main aim of arrangements should be to ensure that current accounts (which may include penalties/interest and/or any admin fees) are at least paid in full, before entering into acceptable arrangements to pay off arrears.

(b) Care must be taken to ensure that all reasonable financial and social assistance, as provided for in this Policy, is rendered to assist owners/debtors/consumers before drastic action is taken to recover debt e.g. subsidies for Free Basic Services and rebates on property tax.

(c) All arrangements must be accepted in writing and the debtor must be provided with a copy of it.

(d) Arrangements must be entered into that are both affordable to the consumer and protect the Municipality's interest.

(e) Arrangements should be final and debtors will not be allowed to re-arrange debt repayments. The Municipality may for a meritorious case, upon presentation of proof of current difficulties, consider to delay the receipt of the arranged instalment. This delay may not exceed 3 months.

(f) It is of vital importance to ensure that the settlement of current accounts (which may include penalties/interest and/or any admin fees), together with the debt repayment instalment, is seen as the minimum requirement for any agreement.

(g) Arrangements must be compiled in a format that facilitates legal action, upon breach of contract. Written arrangements must as far as possible be in the form of agreements in terms of Section 57 of the Magistrate's Courts Act, (Act 32 of 1944) and as amended by the Jurisdiction of Regional Courts Amendment Act, (Act 32 of 2008) (hereinafter referred to the Section 57 Agreements).

All debt repayment arrangements will be logged on the computer system to ensure maximum accessibility and to enable the effective administration of such repayments.

(h) Arrears of Councillors must be settled in full or arrangements to pay off such amounts, by means of salary deductions, may be entered into. This includes the seizure of bonuses or any other additional allowances (this paragraph must be read in conjunction with the relevant Sections of the Systems Act, (Act 32 of 2000)).

The Stellenbosch Municipality is allowed to recover all arrears more than ninety days from municipal officials by means of salary deductions and proportionally from increases and/or the official's thirteenth cheque/performance bonus. In this regard, all temporary contract workers are also regarded as municipal officials.

(i) No interest will be levied on outstanding amounts for which arranged agreements have been entered into.

(j) It is a preferable that a water demand management device and/or a prepaid electricity meter be installed when any arrangement is entered into.

(k) Arrangements may only be concluded upon submission of the following documentation:

(i) Proof of identification;

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▲(ii) Proof of Income;

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▲(iii) Supporting documentation relating to expenses;

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▲(iv) ~~Three-month~~ Three-month bank statements and/or payslips; and/or;

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▲(v) ~~Proof of legal occupancy; and/or~~;

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▲(vi) Any other documentation as may be requested by the Credit Control Section.

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4. ADJUSTMENT OF DEPOSITS

Deposits may be increased to cover the additional risk as regulated in terms of the Municipality's By-Laws. Increases in deposits shall be utilised to cover the additional risk resulting from default ~~ing-on~~ payments.

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5. FURTHER ACTIONS

▲(a) Should arrangements not be made, or not be accepted or not be adhered to, services are discontinued or restricted; or pre-paid services are restricted, provided that a fair and equitable procedure, including reasonable notice of the intention to discontinue or limit is followed. Where legislation does not allow for the complete termination of services, the Credit Control Section will determine the appropriate minimum level of service provision where after, all amounts owing become due and must be paid in full before services are restored to full capacity.

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▲(b) Should amounts owed not be settled by the final date, i.e. after the date for payment set out in a final demand, such accounts and the relevant Section 57 Agreements, where applicable, will be handed over to the Municipality's Collection Attorneys for recovery and/or to consider instituting further legal action.

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▲(c) The Municipality shall at its own discretion and without limiting the measures provided for in the Municipality's By-Laws, be entitled to withhold or limit the supply of services until the total costs, penalties, other fees, tariffs and rates due and owing to the Municipality have been paid in full. This will include the restriction of supply of water or electricity to a debtor who is found guilty by the Municipality or any Court of Law;

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▲(i) of fraud or theft of water and electricity;

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▲(ii) any another criminal activity relating to the supply or unauthorised consumption of water and electricity, or

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▲(iii) if it is evident that fraud, theft or any other criminal activity has occurred relating to such supply or consumption.

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▲(d) Stellenbosch Municipality may consider an auxiliary levy on the purchase of pre-paid electricity to recover arrear debt.

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▲(e) Stellenbosch Municipality may consider black-listing consumers in cases where the consumer was handed over to institute legal proceedings.

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6. NEW APPLICATIONS FOR SERVICES

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6.1 No transfer of services from an owner to a tenant (Municipal property excluded) will be allowed. The status quo of contracts signed before 01 July 2011 will be maintained, provided

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that the tenant does not default on payments.

6.2 The owner or his/her proxy applying for a service to be rendered must be positively identified by means of a generally acceptable means of identification as used by financial institutions. A copy of the identification details (such as a copy of the person's ID and proof of residence (for business users)) must be kept for reference purposes.

6.3 The payment of a service deposit will be based on tariffs as determined by the Council.

6.4 Adjustments to deposits will be determined by the debtor's payment record of municipal accounts and consumption levels.

6.5 The provision of all services not regulated by acts and by-laws will be subject to the signing and acceptance of the conditions of supply contained in a service contract.

6.6 Where the consumer is not the owner of a property, the owner must, on his/her request, regularly be served with a copy of a statement of the amount due.

6.7 The Municipality may subscribe to the services of a credit bureau in order to enhance the effectiveness of credit checks.

7. THE RENDERING OF ACCOUNTS

7.1 Accounts must be rendered regularly and timeously to all property owners and consumers utilising municipal services.

7.2 Accounts must be consumer friendly and must clearly reflect the following minimum information:

- (a) the name, address and contact numbers of Stellenbosch Municipality;
- (b) the name and postal address of the account holder;
- (c) details of the property in respect of which the account is issued;
- (d) the contents of the account will be reflected in at least one of the three official languages of the Western Cape province;
- (e) the balance brought forward from the previous account, as well as a summary of transactions for the present period;
- (f) all services for which the account is rendered, as well as amounts billed for such services;
- (g) the final amount payable;
- (h) the final date for payment;
- (i) soft reminders in respect of interest levies and discontinuation of services; and
- (j) the situation of payment facilities, and modes of payment accepted and hours for payment.

8. ACCOUNT QUERIES

8.1 Consumers have the right to query accounts. In order to ensure the correctness of accounts and the satisfaction of consumers, all queries must be attended to swiftly and effectively.

8.2 Claims of not having received an account do not constitute a valid reason for non-payment of accounts. Queries regarding such non-receipt must be followed up with the Revenue Section in order for same to be addressed. A consumer liable for any services rendered by, or rates due to the Municipality must furnish the Municipality with an address where correspondence

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can be directed to. Consumers should be encouraged to provide the municipality with e-mail addresses where accounts could be sent to, rather than traditional postal addresses.

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8.3 Duplicate accounts shall be available upon request at a cost.

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8.4 Accounts in Dispute

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8.4.1 Should an account be disputed, the concerned consumer must at minimum pay the average amount of the previous 12 (twelve) month's accounts. ~~The-This latter~~ shall be applicable only for the month in which the dispute was raised. Subsequent accounts issued in months thereafter (barring any new dispute raised) shall be considered unrelated to the dispute in question.

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8.4.2 The dispute in question shall be considered to be resolved after all actions have been taken by Stellenbosch Municipality:

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(i) to determine the correctness of the account;

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(ii) when relevant procedures were taken to adjust the account accordingly; and

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(ii) (iii) a written notice to such effect has been given to the concerned consumer.

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8.4.3 In the event that a consumer declaring a dispute does not adhere to paragraph 8.4.1 above the disputed account will be subject to the normal Credit Control and Debt collection procedures.

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9. DUE DATES OF ACCOUNTS

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Accounts are payable by the 7th day of each month or the first working day thereafter, should it fall on a weekend or public holiday.

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10. ALLOW SUFFICIENT TIME TO SETTLE ACCOUNTS

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In order to allow sufficient time to settle accounts, the account should, where possible, be ready for delivery at least two weeks before the due date.

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This necessitates proper scheduling of all processes leading to the issuing of accounts to meet the Municipality's commitment to its consumers.

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11. CONSOLIDATION OF ACCOUNTS

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In order to reduce cost and to enhance credit control and debt collection measures, separate accounts for services rendered in respect of a property or separate accounts of a debtor will be consolidated as far as possible. This will not be limited to consumer accounts only, but may be extended to any other amount payable arising from any liability or obligation due to the municipality.

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12. PAYMENT OF ACCOUNTS – GENERAL

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12.1 In order to promote the payment of accounts, payment facilities and hours for payment must be convenient to consumers, but the establishment of such facilities should still be subject to normal business principles and the economy of the provision of such services.

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12.2 The following facilities are presently available – with the office hours and modes of payment

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indicated. Facilities are extended on an on-going basis.

Facility	Hours	Payment methods accepted
Cash offices at Stellenbosch, Franschhoek and Pniel	Office hours: Monday to Friday	Cash, cheques, debit cards
Receipting agents at shops in Klipmuts	Trading hours	Cash, cheques
Debit orders	Application during office hours	Bank transfers
EasyPay and Pay@: Countrywide outlets of Pick 'n Pay, Shoprite/Checkers, Pep Stores, Ackermans and other stores	Trading hours: 7 days per week	Cash, cheques, credit cards, debit cards
Internet payments	All hours	Bank transfers
Direct bank deposits	Banking hours	Bank transfers
Personnel deductions	Office hours	Direct deductions from earnings
24 hour Utility shops at petrol stations	All hours	Cash, cheques, credit cards, debit cards
Iron-ontec Vending Agents	Trading hours	Cash, cheques

12.3 The use of correct account references for electronic payments and/or direct deposits is a requirement to ensure correct allocation of payment and to avoid any penalties and admin costs. It is the responsibility of the consumer making the payment to ensure that the correct reference number is made known to the municipality.

12.4 All payments by means of Electronic Funds Transfer (EFT) or payments via the facilities as approved must be made in time so as to reflect in the Municipality's bank account before close of business on the due date.

13. DISHONoured PAYMENTS

13.1 Receipts issued in respect of dishonoured cheques and ACB deductions must be written back upon receipt of such notices. Interest on arrears must be raised where applicable and administration costs be debited to debtors account. Debtors must be notified and debt recovery actions be instituted where necessary.

13.2 Should payments be dishonoured twice, the debtors system must be encoded not to accept cheques or debit order transactions of such a debtor and he/she must be informed thereof in writing.

13.3 If payments are dishonoured twice in a financial year, consumer deposits may be adjusted to mitigate increased financial risk.

14. PENDING LEGAL ACTIONS AGAINST CONSUMERS

Legal actions, such as notices of intended sales in execution, press releases regarding

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pending insolvency's, etc. ~~shall~~may be followed up to evaluate the credit rating of such debtors in order to take steps to minimize the risk of financial loss for the Municipality.

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15. INTEREST

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15.1 Interest will be raised on all balances of all services (excluding housing services), property rates or arrangements as per paragraph 3 of this Policy remaining unpaid after the due date of such accounts.

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15.2 A portion of a month is deemed to be a full month for the purposes of calculation of interest payable.

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15.3 Interest on outstanding accounts after the due date will be calculated and charged at a rate of prime plus one percent.

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16. GENERAL AND OTHER SERVICES

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16.1 Monthly Consumer accounts:

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16.1.1 Debtor's records must be coded correctly and timeously to ensure the rendering of accurate accounts to consumers.

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16.1.2 The supply of water and electricity must conform to the conditions of supply set out in the By-Laws for Stellenbosch Municipality, as promulgated in the *Provincial Gazette*.

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16.1.3 Due to the step rate tariffs employed for these services, care must be taken to ensure meter readings are taken accurately and at intervals as close as possible to 30 days. Should this not be possible, consumption may be estimated as set out in the Municipality's By-Laws. As a general rule it is accepted that deviations in consumption periods exceeding 10% should be guarded against.

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16.2 Sundry Services:

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16.2.1 Accounts for recovery of cost encountered by the Municipality in respect of sundry services rendered are issued if and when such services are rendered to consumers.

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16.2.2 As these services are usually not based on formal service contracts, it is essential that it be billed as soon as possible and the recovery of such debt must receive priority. As the risk of loss to the Municipality is more eminent than in the case of other services.

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16.2.3 Care should be taken to obtain full and accurate information of such debtors and to obtain prepayment for such services where possible.

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16.2.4 Actions applied to follow up unpaid accounts will be determined by the nature and size of the debt and the cost effectiveness of such actions.

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17. CONDITIONS RELATING TO RENTAL AND PURCHASING OF MUNICIPAL PROPERTY

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17.1 Municipal property may only be leased or sold after approval of such transactions and the signing of a rental or purchase agreement. Such approvals may be by way of specific Council resolutions or in the form of delegations.

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17.2 The conditions for payment of instalments and deposits are regulated by the contents of the rental and purchase agreements and the Municipality explicitly reserves its rights to discontinue services for non-payment not only limited to the leased property but any other

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property of the lessee within the jurisdiction of Stellenbosch Municipality (WC024).

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- 17.3 Other specific rental and purchase agreements are tailored to the specific nature and requirements of such transactions.

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- 17.4 ~~As a general rule, instalments are payable in advance.~~ Full details of remedies for defaulting lessees and purchasers and procedures to address such defaults must be contained in the relevant contracts, but must not have the effect of limiting the Municipality in terms of this or any other Policy regulating arrears.

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- 17.5 These remedies usually commence with written reminders, leading to the cancellation of the contracts and the institution of further legal action where necessary.

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- 17.6 Rental and purchase agreements represent formalised individual contracts that form the basis of all actions by the parties involved. Both parties are bound to such conditions, failing which may lead to the cancellation of such contracts by the parties involved and claims for damages.

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- 17.7 Lessees whom may qualify for rental subsidies must be referred to the housing office to apply for such subsidies in an effort to make rentals more affordable.

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18. RENTALS IN RESPECT OF MUNICIPAL EMPLOYEES

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Apart from the general conditions applicable to general rental the following conditions will also be applied:

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- (a) Rent will be based on the principle of market related rentals as required by Municipal Supply Chain Management (SCM) Regulation 40.

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- (b) Rent, and optionally rates and service charges, where applicable, may only be paid by means of salary deductions. A specific clause to this effect must form part of the contract.

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- (c) The relevant Director, or his/her delegated official, must co-sign rental agreements of employees to ensure that financial conditions are met.

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19. INDIGENT CONSUMERS

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- 19.1 The Stellenbosch Municipality supports the principle of providing support to indigent consumers by way of providing free basic services in accordance with the provisions of the Municipality's Indigent Policy. All effort must be made to limit the re-occurrence or accumulation of indigent debt of such consumers.

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20. SHORT TITLE

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This Policy is the Credit Control and Debt Collection Policy of the Stellenbosch Municipality.

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